

Message Text

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ACTION NEA-10

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AMEMBASSY NEW DELHI
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS BOMBAY 1007

E. O. 11652: N/A
TQQS: BEXP, BTIO, IN
SUBJ: UNNATI CORPORATION, AHMEDABAD, SEEKS ASSISTANCE IN
LICENSING NEGOTIATIONS WITH ELI SANDMAN CO.,
WORCESTER, MASS.

REF: CERP SECTION D

1. MR. G.S. NANAVATY OF UNNATI CORPORATION, AHMEDABAD,
CALLED ON US APRIL 21 FOR ASSISTANCE RELATING TO LICENSING
NEGOTIATIONS WITH ELI SANDMAN CO. (ESC), 280 GREENWOOD ST.,
WORCESTER, MASS. 01613 FOR PRODUCING FIBER GLASS IMPREGNATED
DISCS (USED AS GRINDING WHEEL CENTER DISCS).

2. ACCORDING TO NANAVATY, UNNATI REACHED AN UNDERSTANDING
WITH ESC THROUGH PERSONAL NEGOTIATIONS AND CORRESPONDENCE
FOR PURCHASE OF ESC TECHNOLOGY FOR LUMP SUM PAYMENT OF
\$42,000 AND ROYALTY AT RATES OF FIVE PERCENT ON FIRST
\$100,000 OF NET SALES, AND THREE PERCENT THEREAFTER, LESS
INDIAN CORPORATE TAX. BASED ON THIS, UNNATI APPROACHED
GOVERNMENT OF INDIA (GOI) FOR CLEARANCE OF THE PROPOSAL,
WHICH WAS APPROVED IN PRINCIPLE BY GOI ON APRIL 17,
EXCEPT THAT IT PERMITTED A FLAT ROYAKTY ODTTHREE PERCENT
(INSTEAD OF FIVE AND THREE) FOR FIVE YEARS. GOVERNMENT
APPROVAL IS VALID FOR SIX MONTHS WITHIN WHICH UNNATI SHOULD
CONCLUDE FINAL AGREEMENT WITH ESC.

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3. NANAVATY REPORTED THAT HE RECEIVED FEBRUARY 13 DRAFT LICENSING AGREEMENT FROM ESC WHICH, BESIDES INDICATING ITS TERMS (ROYALTY AT FIVE AND THREE PERCENT PLUS LUMP SUM PAYMENT), PROVIDED FOR ADVANCE PAYMENT OF \$383,000 TOWARDS ROYALTY (WHICH NANAVATY DESCRIBED AS CAPITALIZING THE ROYQUPY8 AND A FEW OTHER TERMS NOT INCLUDED IN EARLIER NEGOTIATIONS. NANAVATY REPORTED TO US THAT THE ALTERED TERMS NOT ONLY HAVE COST IMPLICATIONS FOR ITS PROPOSED PROJECT BUT, MORE IMPORTANTLY, WOULD NOT BE ACCEPTABLE TO GOI. ON THE OTHER HAND, UNNATI WILL HAVE TO NEGOTIATE REDUCTION OF ROYALTY TO THREE PERCENT FW
T WITH ESC.

NANAVATY'S CONCERN IS THAT REOPENING THE MATTER WITH GOI WILL NOT ONLY BE FUTILE BUT COULD JEOPARDIZE THE PROJECT. ACCORDING TO HIM, AN INDIAN FIRM HAS ALREADY DEVELOPED TECHNOLOGY FOR AN INFERIOR VERSION OF THIS ITEM AND GOI MAY NOT RENEW PERMIT TO BUY FOREIGN KNOW-HOW IN THIS FIELD. NANAVATY ADDRESSED A LETTER ON MARCH 5 TO MR. LEO LINDEN, GENERAL MANAGER, ESC, INDICATING IMPLICATIONS INVOLVED IN ESC'S DRAFT AGREEMENT.

4. COMMENT: WHILE KEEPING OUT OF UNNATI-ESC BUSINESS NEGOTIATIONS, WE WOULD LIKE TO STATE THAT GOI IS EXTREMELY UNLIKELY TO PERMIT ADVANCE PAYMENT OF ROYALTY AND IS ALSO RELUCTANT TO REVISE TERMS OF AGREEMENTS STIPULATED IN APPROVAL LETTER (CALLED LETTER OF INTENT). TIME BEING THE ESSENCE (DEADLINE OF APPCOVAL IS AUGUST), WE RECOMMEND THAT ESC RESPOND ASAP TO MR. NANAVATY'S LETTER OF MARCH 5.

5. ACTION: PLEASE BRING THE FOREGOING TO MR. LINDEN'S ATTENTION, PARTICULARLY UNNATI'S CONCERN FOR A QUICK RESPONSE. IF POSSIBLE WE WOULD APPRECIATE HAVING ESC'S POSITION IN THE MATTER FOR UNNATI'S REFERENCE.
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